

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 EB-07 EPG-02 TRSE-00 STR-04
OMB-01 CEA-01 NEA-10 COME-00 EA-07 /095 W
-----044591 221757Z /44

P R 221711Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 9250
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY LONDON
AMEMBASSY THE HAGUE
AMEMBASSY COPENHAGEN
AMEMBASSY LUXEMBOURG
AMEMBASSY DUBLIN
AMEMBASSY ATHENS
AMEMBASSY MADRID
AMEMBASSY LISBON

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ALSO FOR USEC, ALSO FOR USOECD, USMISSION NATO

E.O. 11652: GDS
TAGS: EFIN, ETRD, EIND, ECIN, EAGR, GW, FR
SUBJECT: JUNE 16-17 FRANCO-GERMAN SUMMIT: ECONOMIC
PERSPECTIVES

REF: A. PARIS 17792 B. BONN 10178

1. SUMMARY: FRANCO-GERMAN DISCUSSIONS TOOK PLACE AT
SEVERAL LEVELS. CIEC OUTCOME AND DOWNING STREET
SUMMIT WERE AMONG TOPICS TAKEN UP BY SCHMIDT AND GISCARD
DURING PRIVATE MEETING. MEETING OF SCHMIDT, GENSCHER,
GISCARD AND BARRE FOCUSED ON THE ECONOMIC SITUATION IN
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BOTH COUNTRIES AND LIKELY ECONOMIC PERFORMANCE IN
SECOND HALF OF 1977. GENSCHER MET SEPARATELY WITH DE
GUIRINGAUD, PICKING UP THE THREAD OF THEIR DISCUSSIONS
LAST WEEK IN PARIS AND EXCHANGING VIEWS ON EC AFFAIRS,
POLITICAL ISSUES, AND GLOBAL ECONOMIC QUESTIONS.
FRIDERICHs MET WITH ROSSI FOR DISCUSSIONS WHICH CENTER-
ED ON THE FRENCH CONCEPT OF ORGANIZED LIBERALIZATION

WHICH WAS FLOATED AT DOWNING STREET SUMMIT AS WELL AS ON COOPERATION IN AIRCRAFT SECTOR. THE FRENCH PRESSED FOR A DECLARATION ON NUCLEAR POLICY (SEE REF B), WHICH THE FRG PUBLISHED ON JUNE 17. END SUMMARY.

2. COORDINATION OF ECONOMIC AND MONETARY POLICY. ACCORDING TO A CHANCELLERY OFFICIAL (THIELE) AND FON OFF FRENCH DESK, THE SUMMIT DISCUSSIONS WERE BASED ON THE JUNE 8 CONSULTATIONS IN PARIS, WHICH HAD CONCENTRATED ON EXCHANGES OF DATA AND ANALYSIS AND WHICH HAD BEEN MOST SUCCESSFUL FROM THE GERMAN POINT OF VIEW. UNEMPLOYMENT WAS THE CHIEF MATTER OF CONCERN. THE FRENCH STRESSED THAT THE BARRE PLAN, WITH THE EXCEPTION OF ITS UNEMPLOYMENT TARGET, COULD BE REALIZED. SCHMIDT SAID THAT THE FRG GROWTH RATE FOR 1977 WOULD BE PERHAPS A LITTLE BETTER THAN 4.5 PERCENT. THE FRENCH PLAN FOR PRESENTING RECOMMENDATIONS TO THE EUROPEAN COUNCIL FOR RENEWING THE MOVEMENT TOWARDS EC MONETARY AND ECONOMIC UNION HAS BEEN PUT ON ICE. TWO FACTORS HAVE DOOMED ANY EFFORT IN THIS DIRECTION FOR SOME TIME. FIRST, BARRE MADE IT CLEAR THAT FRANCE COULD NOT RE-JOIN THE SNAKE. SECOND, THE EXPANSION OF THE COMMUNITY TO INCLUDE COUNTRIES WITH MUCH MORE DIVERSE ECONOMIES MAKES IT COMPLETELY IMPRACTICAL TO CONSIDER STEPS TO BRING ABOUT CLOSER INTEGRATION THAN THAT WHICH NOW EXISTS.

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3. THIELE COMMENTED THAT THE FRG FINDS SUCH BILATERAL DISCUSSIONS WITH MAJOR EC PARTNERS MORE USEFUL THAN THE EFFORTS TO COORDINATE POLICY THROUGH THE EC COMMISSION AND COUNCIL. THE DISCUSSIONS CAN BE VERY FRANK, AND THERE IS NO PRESSURE TO CONFORM TO SPECIFIC GUIDELINES. AS FOR MULTILATERAL DISCUSSIONS, THESE CAN BE MEANINGFUL ONLY IF THE U.S. IS INCLUDED. THUS DOWNING-STREET-TYPE SUMMITS WILL GAIN IN IMPORTANCE.

4. GREEK ACCESSION NEGOTIATIONS: THERE WAS NO NARROWING OF FRENCH AND GERMAN DIFFERENCES ON EXPANSION OF THE CAP TO INCLUDE MEDITERRANEAN PRODUCTS. THE FRENCH AGREED TO PRESENT A PAPER TO THE EC COUNCIL BEFORE THE SUMMER VACATION DESCRIBING IN CONCRETE TERMS THE CAP REFORMS THEY WISH TO HAVE IMPLEMENTED. THE FRENCH INSISTED THAT AGREEMENT MUST BE REACHED ON THESE CHANGES BEFORE THERE CAN BE NEGOTIATIONS WITH THE GREEKS ON AGRICULTURAL ISSUES RELATED TO ACCESSION.

5. COOPERATION IN AIRCRAFT SECTOR: AT THE MINISTERIAL

LEVEL, THERE WAS A "VAGUE" DISCUSSION ABOUT AIRCRAFT PRODUCTION. BOTH SIDES REACHED A CERTAIN UNDERSTANDING ABOUT ENLARGING THE AIRBUS FAMILY. THEY AGREED

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ON A STUDY OF A NEW AIRCRAFT.

6. PORTUGAL: THE FRG TRIED TO CONVINCE THE FRENCH TO HELP. THE FRENCH SAID THEY WOULD, BUT THIS WOULD BE SOMETHING OTHER THAN FINANCIAL HELP. THE GERMANS WERE NOT SURE WHAT THE FRENCH MEANT BY THIS STATEMENT.

7. TRADE POLICY: ROSSI EXPLAINED THE FRENCH CONCEPT OF ORGANIZED LIBERALIZATION, BUT WITHOUT ADDING MUCH CLARITY. HE IMPLIED THAT THE MOTIVATION WAS INTERNAL,

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DESIGNED TO FEND OFF ATTACKS FROM THE LEFT CHARGING THAT THE GOVERNMENT WAS NOT DOING ENOUGH TO PROTECT FRENCH INDUSTRY. THE FRG SIDE EXPRESSED STRONG CONCERN THAT FRANCE WAS HEADING IN A PROTECTIONIST DIRECTION. ROSSI FIRMLY CONTESTED THIS CHARGE, CLAIMING THAT FRANCE FULLY SUPPORTED A CONTINUED GROWTH OF WORLD TRADE. HOWEVER, HE ADDED THAT FRENCH EXPORTERS MUST HAVE A SHARE IN THIS GROWTH AND THAT IT CANNOT THEREFORE BE ENTIRELY TAKEN UP BY JAPANESE EXPORTS. THEREFORE THIS GROWTH MUST SOMEHOW BE CONTROLLED OR GUIDED. THE GERMANS WERE A BIT PIQUED. THEIR REACTION WAS THAT IF THE FRENCH WANTED TO EXPORT MORE, THEY WOULD HAVE TO WORK A BIT HARDER AT IT.
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